

Risk Management vs Crisis Management

Crisis Management - is the process by which an organization handles a sudden emergency event with the potential to disrupt business and tarnish the reputation of the organization, the general public and other stakeholders. It is the process and the actions that occur after an event.

For example, The Bahamas Ministry of Tourism has in place a Crisis Communication Plan in the event of a Natural Disaster (hurricanes, floods, fire, etc.); Accidents (airline/boat crashes, drowning); Crime; or any other emergencies that can have a potential negative repercussion on the destination. A crisis, in the context of the communication plan, means at least one or two things has occurred;

- Residents and visitor are at risk; or

- The reputation of The Bahamas is at risk or under attack

The goals of the plans are multifold:

- To protect the integrity of the brand
- To prevent a bad situation from getting worse
- To protect residents
- To protect visitors
- To minimize economic impact

The important aspects of protecting the reputation of the Islands of The Bahamas are enshrined in the following important principles:

- If The Islands of The Bahamas do not accurately tell their side of the story, the media will, with the potential of being inaccurate;
- Transparency and appropriate disclosure is essential
- Communication with the media is a significant opportunity to explain the event, why it

happened and what The Bahamas is doing about it.

➤ A policy of truthfulness is definitely essential.

Definition of Risk – Is the possibility of loss or injury.

Risk Management – Is a process which identifies, assesses, and prioritizes risks which is followed by a coordinated and economical application of necessary resources to reduce, monitor, and control the probability or impact of dangerous events.

Every organization should have a risk management plan which focuses on any event which disrupt the delivery of quality service to guests or that of the service provider delivering such services.

In managing risks and threats to an organization the first attempt is to avoid the threat. If the threat to the organization or destination is unavoidable then the next strategy is to minimize the negative impact or probability of the threat.

However, firstly management must be able to identify those threats with the greatest potential to negatively disrupt normal business and secondly provide the necessary resources and attention to mitigate the impact. Those threats with the lower probability of occurring should then be given less or lower priority.

In the risk management process there are many hazards that can be detrimental to the assets of the organization or destination. They must be all taken in perspective based on the nature and operation of the business. There are many categories of hazards.

Natural Hazards

- **Meteorological** – Flooding, adverse thunderstorm (wind, lightning, hail); Tornado, Windstorm, Hurricanes and Tropical storms.
- **Geological** – Earthquake, Landslide, Volcano, Tsunami
- **Biological** – Pandemic Disease, Foodborne illnesses

Human-Caused Hazards

- **Accidents** – Entrapment/Rescue (High Angle, machinery) Transportation Accidents (motor vehicle, Rail, Air, water)
- **Intentional Acts** – Labor Strike, Demonstrations, Bomb threats, Child Abduction, Hostage Incidents, Robbery, Terrorism, Arson, Cyber/Information Technology, etc.

Technological Hazards

- **Fire/Explosion** – Fire (structural/forest)
Chemical or gas explosions.
- **Hazardous Materials** – Spill or release or accidental dumping of radiological materials, transportation accidents, Nuclear power plant accident
- **Utility Outage** – Electrical power; water, gas, steam, heating/ air conditioning, sewage system.

Hazards such as these can place ones business assets that are crucial to the survival and operation of the organization at severe risk. The assets at risk due to hazards can include People, Environment, Reputation of and confidence in the organization, supply chain property, equipment, information technology, etc.

It is important to note that the mitigation strategies that one design could play a significant role on the impacts of your assets. These impacts could include

the following: Property damage, Lawsuits, Loss of confidence in the establishment, Environmental degradation, Financial losses, Business disruption, and or casualties.

It is imperative that as you develop the risk assessment elements of your risk management plan that you pay special attention to any weaknesses that will increase the probability of your assets to damage due to a hazard. For Example, if your hotel property is in an area prone to flooding then you should develop proper drainage systems and construct it in a manner that will make it less susceptible to flooding in order to protect your assets from damages.

However, of all the assets that are exposed to risks from hazards, by far the most important should be

the mitigation of injuries to people. This should be the first consideration in a risk assessment analysis.

Many Organizations recognizing that risk is defined as the possibility that an event could occur with potential devastating consequences to the achievements of its objectives make a serious mistake particularly during lean times when they fail to allocate resources to a risk management plan.

This decision can result in exposing the company to lawsuits, loss of reputation and even possible bankruptcy.

How does risk management applies to tourism in island economies? Small Island Nations are increasingly depended on tourism to improve the quality of lives of its residents. It is imperative that SIDS identifies all vulnerabilities which place its assets (tourism products) at risk of damages – this

can be physical damages which can result in a deterioration of its reputation in the marketplace.

A UNWTO report showed that the number of International travelers visiting Small Island Destination States (SIDS) grew from 28 million in 2000 to 41 million in 2013. Receipts from tourism also increased from US\$ 26 billion to US\$53 billion in the same period.

In some seven SIDS destinations, tourism accounts for over 25% of GDP and represents 9% of overall exports (US\$61 billion).

More importantly, it is an economic activity that is labor intensive, provide necessary foreign exchange earnings, job opportunities, particularly for those that are marginalized, and provide opportunities especially for women.

No region depends on tourism as much as the Caribbean. Comparing 13 regions globally, the Caribbean ranked number 1 with regard to tourism's contribution to national economies. It is reported that in the Caribbean region, travel and tourism alone contributed some 15% of total GDP, more than 20% to total capital investment and supported one in every eight jobs.

Over the years there were a number of geopolitical events which threatened the growth of tourism, including such health hazards as SARS, Ebola, Dengue and Chikungunya Viruses; terrorism and various environmental hazards. However, there are no other threats with the potential to devastate the tourism economy like the advent of climate change, especially to fragile small island developing economies. It is my humble opinion that climate change is the single greatest long term threat to the

economic and environmental sustainability of tourism of small island developing nations.

It is widely recognized that climate change has the potential to destroy the very assets which supports the most important economic sector in most SIDS. It is also universally accepted that SIDS are most vulnerable to the impacts of climate change.

Projection by the Intergovernmental Panel on Climate Change (IPCC)

Reports by the IPCC showed that global average surface temperatures have increased 0.85 degrees Centigrade since 1900

At current rates of CO₂ emissions the planet will surpass the two C carbon budget in less than 50 years – this is based on the assumption that emissions rates don't continue on their current upward trajectory of 3 percent annually.

What does this mean for Island economies like that of the Caribbean who cumulatively only contribute less than 1% to green house gas emissions?

This will negatively impact Caribbean's coral reefs, affecting our natural defense against storm surges, food chain supply and tourism products including the lucrative tourism dive industry and our beautiful white sandy beaches.

An article by Desmond Brown appeared in ipsnews.net entitled “**Antigua Draws a Line in the Vanishing Sand**” illustrates the dire predicament of islands states facing the challenges of climate change. Chief Environmental Officer of Antigua and Barbuda, Diann Black-Layne stated that sea level is rising and as a result she has taken responsibility of the task of mobilizing legislators and other stakeholders for the island to become “climate ready”. She further went on to say that due to the IPCC projects of increase in global temperatures

there would be “disruption of livelihoods in low-lying coastal zones and small island developing states, due to storm surges, coastal flooding, and sea-level rise”.

With tourism depending on assets such as our pristine crystal clear waters and white sugar powered beaches, climate change is a true and present threat to the economies of these islands as an increase of 1.5 degrees Centigrade, approximately 90 percent of coral reefs are projected to show severe bleaching.

Black-Layne continued to stress the impact of climate change on islands like Antigua and Barbuda in that “there would be failure of infrastructures such as roads, seaports, airports and buildings; plants and animals, including humans, would die during periods of extreme heat; there will be a

breakdown of agricultural systems; there will be insufficient access to drinking and irrigation water”

It is interesting to now read what was said by Black-Layne two years ago regarding the possible impact of climate change on the island of Antigua and Barbuda.

“When I hear the pronouncement and predicted impacts of climate change on our country it’s not very encouraging. In fact it’s very depressing”. This year, September 14, Hurricane Irma’s visit on Barbuda damaged 95 percent of its infrastructure.

Meanwhile, The Bahamas with over 700 islands and 2,000 cays with 80 percent of its landmass within 1.5 meters of sea level is the most vulnerable island nation to sea level rise. With some populated islands being only a half mile wide and 4 miles long, it is conceivable that entire islands can be lost to sea level rise over a period of time.

A recent report on sea level rise and its impact and costs on the Caribbean prepared by the CARIBSAVE Partnership for UNDP revealed that a 1 – 2 meter rise in sea level above present levels will result in The Bahamas losing 5% of its land area, displacement of 5% of its population, 6% of its agricultural land, 35% of its sea turtle nesting beaches and 14% of its road network. The study further revealed that population displacement and relocation costs for The Bahamas will be between US dollars 5.6 and 11.2 billion in 2050.

The Bahamas is not alone in the region due to the threat of sea level rise, Suriname, Belize, Guyana and Trinidad and Tobago will also be adversely impacted economically.

The onslaught of more intense and frequent occurrences of hurricanes and tropical storm have negatively impacted our tourism economy and disrupted the lives of our citizens.

The Bahamas lying in the hurricane belt has had its economy and way of life disrupted three years consecutively by hurricanes of category 4 and above. In 2015 there was Joaquin followed by Matthew in 2016 and recently Irma in September 2017.

The impact of Joaquin and Matthew set-back The Bahamas' economy by some \$600 M U.S. dollars in damages and losses.

Hurricane Matthew's over \$440M U.S. dollars in damages and losses contributed to a 2% reduction in Gross Domestic Product. The tourism sector was hardest hit with a cost of close to \$100 M US dollars. Payroll declined by roughly \$18M US dollars as a result of Matthew with the tourism sector representing 76.5% of that decline. The impact was significant as it was revealed that for every one

dollar in physical damage to the tourism sector it cost some \$2 in lost income to industry stakeholders.

With a new government only 4 months in place in September this year, hurricane Irma, recording winds of 130 to 140 miles per hour, threatened and severely damaged several islands within The Bahamas.

The new Prime Minister made a bold and lesson learning decision and summoned the National Flag Carrier to evacuate all residents of the southern island of The Bahamas to the capital city taking them out of harm's way.

The onslaught of Irma and Maria devastated several islands within the Caribbean region.

According to a report by the Associated Press, Stephen O'Malley, the United Nations resident coordinator for Barbados and the Organization of

Eastern Caribbean States, the recovery of eastern Caribbean islands hardest hit by recent hurricanes, inclusive of Dominica, Barbuda, Turks and Caicos, Anguilla and the British Virgin Islands could cost in excess of \$1 billion U.S. dollars.

The blow inflicted on Dominica due to Hurricane Maria resulted in Prime Minister Roosevelt Skeritt proclaiming that it is his desire to have the world's first "climate resilient nation."

What is The Bahamas doing about mitigating against hurricanes and severe weather patterns on its citizens and infrastructure?